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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-third Meeting
Montreal, 4-8 April 2011

PROJECT PROPOSAL: THE DEMOCRATIC REPUBLIC OF THE CONGO

This document consists of the comments and recommendations of the Fund Secretariat on the following project proposal:

Phase-out

- HCFC phase-out management plan (stage I, first tranche)

UNEP/UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS

Democratic Republic of the Congo

(I) PROJECT TITLE	AGENCY
HCFC phase-out management plan (stage I, first tranche)	UNDP, UNEP (lead)

(II) LATEST ARTICLE 7 DATA	Year: 2009	85.7 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)							Year: 2009		
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab Use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b		27.0							27.0
HCFC-142b		9.8							9.8
HCFC-22					49.0				49.0

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	58	Starting point for sustained aggregate reductions:	58
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	0.0	Remaining:	52.2

(V) BUSINESS PLAN		2011	2012	2013	2014	2015	Total
UNDP	ODS phase-out (ODP tonnes)	4.3	4.3	4.3	1.4	0.0	14.4
	Funding (US \$)	285,000	284,602	284,602	94,867	0	949,072
UNEP	ODS phase-out (ODP tonnes)	2.1	2.1	2.1	0.7		7.0
	Funding (US \$)	146,000	145,842	145,842	48,614		486,298

(VI) PROJECT DATA			2011	2012	2013	2014	2015	Total
Montreal Protocol consumption limits (estimate)			n/a	n/a	58	58	52	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	58	58	52	n/a
Project Costs requested in principle(US\$)	UNEP	Project costs	95,000		116,500		23500	235,000
		Support costs	12,350		15,145		3,055	30,550
	UNDP	Project costs	100,000		116,000		24000	240,000
		Support costs	9,000		10,440		2,160	21,600
Total project costs requested in principle (US \$)			195,000		232,500		47,500	475,000
Total support costs requested in principle (US \$)			21,350		25,585		5,215	52,150
Total funds requested in principle (US \$)			216,350		258,085		52,715	527,150

(VII) Request for funding for the first tranche (2011)		
Agency	Funds requested (US \$)	Support costs (US \$)
UNDP	100,000	9,000
UNEP	95,000	12,350

Funding request:	Approval of funding for the first tranche (2011) as indicated above
Secretariat's recommendation:	For individual consideration

PROJECT DESCRIPTION

1. On behalf of the Government of the Democratic Republic of the Congo UNEP, as the lead implementing agency, has submitted to the 63rd Meeting of the Executive Committee stage I of the HCFC phase-out management plan (HPMP) at a total cost of, as originally submitted, US \$1,190,000 (plus agencies' support costs). The Government of the Congo is requesting US \$390,000 plus agency support cost of US \$50,700 for UNEP and US \$800,000 plus agency support costs of US \$60,000 for UNDP to meet the 35 per cent reduction by 2020.

2. The first tranche for stage I being requested at this meeting amounts to US \$120,000 plus agency support costs of US \$15,600 for UNEP and US \$200,000 plus agency support costs of US \$15,000 for UNDP, as originally submitted.

Background

ODS regulations

3. The Democratic Republic of the Congo has a legislative, regulatory and legal framework for controlling the importation and distribution of HCFCs in its territory. The regulation and licensing systems were reinforced in 2004 and 2005 respectively to include controls on import of ODS and ODS-based equipment. However, the Democratic Republic of the Congo does not have an HCFC quota system. It is planning to put the HCFC quota system in place during 2011.

4. The National Ozone Unit (NOU) under the authority of the Ministry of Environment is responsible for implementing, monitoring and evaluating the activities under the Montreal Protocol including the HPMP. It also coordinates consultations with the National Ozone Committee and all other partners involved in the implementation of the national ozone programme.

HCFC consumption

5. The survey results showed that the country uses mostly HCFC-22 in servicing refrigeration and air-conditioning units. It also revealed that HCFC consumption increased from 548 metric tonnes (mt) (30.14 ODP tonnes) in 2006 to 1,014.98 mt (55.82 ODP tonnes) in 2009. The 2010 HCFC consumption in the Democratic Republic of the Congo was estimated at 1,217.98 mt (66.99 ODP tonnes) using a 20 per cent growth rate from its 2009 consumption. Table 1 presents data on HCFC consumption reported under Article 7 as well as data extracted from the survey results. The Government of the Democratic Republic of the Congo informed UNEP that, since 2006, the data reported under Article 7 do not reflect the country's HCFC consumption and that the survey results are more accurate. The Government of the Democratic Republic of the Congo sent a request to the Ozone Secretariat to adjust its Article 7 data to the survey results.

Table 1: HCFC consumption from 2006 to 2009

Year	Article 7		Survey results	
	HCFC-22 (in ODP tonnes)	HCFC-22 (in metric tonnes)	HCFC-22 (in ODP tonnes)	HCFC-22 (in metric tonnes)
2006	6.6	120	30.14	548
2007	3.9	70.91	33.46	608.38
2008	8	145.45	41.86	761.23
2009	85.7	1,558.18	55.82	1,014.98

6. On the basis of the trends in economic growth in the Democratic Republic of the Congo HCFC consumption is expected to grow on a yearly basis by 10 per cent using an unconstrained growth scenario from 2011 to 2020 while 20 per cent is forecast in 2010. Table 2 presents the forecast on HCFC consumption from 2009 to 2020.

Table 2: Forecast consumption of HCFC

YEAR		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
With constraint	MT	n/a	n/a	1,116.4	1,116.4	1,116.4	1,116.4	1,004.7	1,004.7	1,004.7	1,004.7	1,004.7	725.6
	ODP	n/a	n/a	61.4	61.4	61.4	61.4	55.3	55.3	55.3	55.3	55.3	39.9
Without constraint	MT	1014.9	1217.9	1,339.7	1,473.7	1,621.1	1,783.2	1,961.5	2,157.7	2,373.5	2,610.8	2,871.9	3,159.1
	ODP	55.82	66.98	73.68	81.05	89.16	98.08	107.88	118.67	130.54	143.59	157.95	173.75

Sectoral distribution of HCFCs

7. HCFCs in the Democratic Republic of the Congo are used predominantly for servicing in the domestic, air-conditioning and commercial/industrial refrigeration sectors. Table 3 below presents the consumption of refrigerants in the country by refrigeration servicing sector.

Table 3: Distribution of HCFC-22 in refrigeration systems

Equipment type	Total units	Charge (tonnes)		Servicing Consumption /year (tonnes)	
		Metric	ODP	Metric	ODP
Domestic air-conditioning	3,435,901	4,433.8	243.8	949.5	52.2
Commercial refrigeration systems	48,542	83.4	4.6	47.8	2.6
Commercial/Industrial air - conditioning	22,686	30.6	1.7	17.6	1
Total	3,507,129	4,547.8	250.1	1,014.9	55.8

8. The HPMP indicated that the leakage rate is around 57.5 per cent. It revealed that HCFC-22 prices are relatively low as compared to those of alternative refrigerants such as R-134a, R-404A, R-407C, R-410A and R-600A. Due to the fact that HCFC-22 is cheaper than the rest of the alternative refrigerants, it is used for almost all servicing requirements.

Calculation of consumption baseline

9. The estimated HCFC baseline for compliance was calculated by the country as the average of the 2009 actual consumption of 1,014.98 mt (55.82 ODP tonnes) based on the survey results and 2010 estimated consumption of 1,217.98 mt (66.99 ODP tonnes) which results in an estimated baseline of 1,116.48 mt (61.41 ODP tonnes). The survey figure for 2009 consumption was used as it was lower than what was reported under Article 7 and considered more accurate. The Government of the Democratic Republic of the Congo had requested the Ozone Secretariat that 2009 figures be revised downwards.

HCFC phase-out strategy and costs

10. The Government of the Democratic Republic of the Congo has adopted a three-step strategy for implementing its HPMP. It plans to freeze its consumption of HCFCs by 1 January 2013 at the level of 1,116.48 mt (61.41 ODP tonnes) and gradually reduce it from the baseline data following the Montreal Protocol control measures to meet the 35 per cent reduction in 2020. Thereafter, HCFC phase-out will

continue until reaching the overall consumption reduction rate of 97.5 per cent in 2030 and keeping an allowance of 2.5 per cent of the baseline consumption for meeting servicing needs until 2040.

11. The Government of the Democratic Republic of the Congo is proposing to meet its compliance targets by implementing both investment and non-investment activities from 2011 to 2020. The investment component includes activities such as the reinforcement of the refrigerant associations and training centres, the purchase of equipment and basic tools, local canisterization, end-users incentives and technical assistance. The Government will also assist owners of air-conditioning equipment in industrial, commercial and domestic air-conditioning sectors to change to non-HCFC-based equipment using hydrocarbons or R-410a. The non-investment component covers activities related to the introduction of ODS import monitoring in the curricula of all customs schools, the training of 20 trainers in retrofitting techniques and 500 refrigeration technicians in retrofitting techniques and good practices in refrigeration, and the training of 500 customs officers to enhance the surveillance of import of HCFCs and HCFC-based equipment in the Democratic Republic of the Congo.

12. The HPMP indicated that the terminal phase-out management plan (TPMP) has the following achievements: 22 technicians trained in good refrigeration practices and retrofitting, 149 refrigeration technician practitioners trained and certified, 163 customs officers trained and 3 refrigerant identifiers purchased. It also indicated the establishment of 4 centralized recycling centres and the organisation of 7 workshops of 120 technicians.

Cost of the HPMP

13. The total cost for the implementation of stage I of the HPMP as submitted is US \$1,190,000 plus agency support costs of US \$110,700 including US \$50,700 for UNEP and US \$60,000 for UNDP. These resources will allow the country to implement activities to phase out 390.77 mt (21.49 ODP tonnes) of HCFCs by the end of 2020. Table 4 presents the allocated funds for each activity in the HPMP.

Table 4: Total cost of stage I of the HPMP (US\$)

Project title	Agency	2011	2013	2016	2018	2020	Total
Training of trainers and refrigeration technicians	UNEP	50,000	25,000	25,000	25,000	25,000	150,000
Training of customs officers	UNEP	50,000	25,000	25,000	20,000	20,000	140,000
Investments project	UNDP	200,000	150,000	150,000	150,000	150,000	800,000
Monitoring and evaluation	UNEP	20,000	20,000	20,000	20,000	20,000	100,000
TOTAL		320,000	220,000	220,000	215,000	215,000	1,190,000

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

14. The Secretariat reviewed the HPMP for the Democratic Republic of Congo in the context of the guidelines for the preparation of HPMPs (decision 54/39), the criteria for funding HCFC phase-out in the consumption sector agreed at the 60th Meeting (decision 60/44), subsequent decisions on HPMPs made at the 62nd Meeting and the 2011-2014 business plan of the Multilateral Fund.

Issues related to HCFC consumption

15. The Secretariat considered the HCFC consumption data and noted the high increase in the HCFC consumption (see Table 1). In this respect, the Secretariat requested UNEP to explain the reason for the increase and provide strong justification to support it especially from 2008 to 2010. UNEP advised that the HCFC increase resulted from the increase in imports of RAC equipment due to the fact that RAC equipment imported namely from Asia and North Africa is very cheap and thus affordable especially after the war when many industrial and commercial companies have restarted their activities. In some cases, some companies are also equipped with old HCFC-based equipment with a high leakage rate at around 57 per cent thereby increasing HCFC use. According to UNEP, the drop in equipment prices and the improved economic conditions that have been prevailing since 2006 allowed many end users to buy various types of cheap RAC equipment including for domestic use.

16. The Secretariat also noted that the country reported consumption of HCFC-141b and HCFC-142b under Article 7 for the years 2006-2009, but the HPMP did not cover these substances. UNEP clarified and provided copies of an official communication from the country to the Ozone Secretariat which requested a revision of these data to show HCFC-141b and HCFC-142b as zero for the years 2006-2009. In further consultations on this issue, the Ozone Secretariat informed the Fund Secretariat that since HCFC consumption for 2009 is used to calculate the baseline for compliance for Article 5 Parties, any revision to the reported data should follow the methodology for revision of baseline data adopted by the Parties to the Montreal Protocol at their 15th Meeting (decision XV/19) (i.e., the request should be submitted for consideration by the Implementation Committee). The Ozone Secretariat has advised the Government of the Democratic Republic of the Congo accordingly. However, UNEP has indicated that the country in its survey does not have consumption of these substances; therefore, the HPMP covers activities related to HCFC-22 only.

17. In discussing the growth rate for the estimated consumption in 2010, the Secretariat drew UNEP's attention to the annual growth rate in HCFC consumption used for the preparation of the business plans of 8 per cent. Further to this discussion, UNEP agreed on an interim basis to use the same growth rate to estimate 2010 consumption based on the 2009 actual consumption from the survey in order to calculate an estimated baseline. This resulted in a revised 2010 estimated consumption of 1,096.1 mt (60.3 ODP tonnes), and an estimated baseline of 1,055.5 mt (58 ODP tonnes).

Starting point for aggregate reduction in HCFC consumption

18. The Government of the Congo agreed to establish as its starting point for sustained aggregate reduction in HCFC consumption the average level of actual reported consumption from the survey in 2009 of 1,014.9 mt (55.8 ODP tonnes) and revised estimated consumption in 2010 of 1,096.1 mt (60.3 ODP tonnes), resulting in 58 ODP tonnes. The business plan indicated a baseline of 89.1 ODP tonnes. The difference results from the fact that the business plan estimated 2010 HCFC consumption using a growth rate of 8 per cent from 2009 reported consumption under Article 7 while the Democratic Republic of the Congo stated that 2009 reported consumption under Article 7 should be revised downwards from 85.7 ODP tonnes to 55.8 ODP tonnes as per survey results.

Technical and cost issues

19. The Secretariat assessed the methodology used for the HCFC survey and noted that a number of all types of RAC equipment in the country increased by 11 per cent in 2007, 25.1 per cent in 2008 and 33.3 per cent in 2009. In this respect, the Secretariat requested UNEP to explain why the increase rate was the same for all equipment for each year. UNEP advised that the number of equipment in the country in 2009 was estimated by the HCFC survey. However, for the previous years, the rate of increase in the equipment was prorated based on actual quantities in 2009 hence the calculations of the percentage increases used above.

20. The Secretariat sought clarification on the activities planned in the HPMP and how these would build upon similar activities already implemented under the TPMP. UNEP indicated that the activities while similar in approach will be very different. In the TPMP project, training programmes had been dealing with recovery, recycling and retrofitting for domestic facilities using CFCs while, in the HPMP, the country will deal specifically with R-22. On the other hand, the training for customs officers will deal with control and identification of HCFCs and HCFC-based equipment.

21. The Secretariat considered to what extent the small commercial appliances, manual recuperation units, vacuum pumps, recovery/recycling and recharging units provided under the TPMP could be used in the implementation of the HPMP. UNEP explained that these will be used to the extent possible but additional equipment/tools are required.

22. The Secretariat also reviewed the proposed end-user incentive programme and requested UNEP to explain how the level of incentive to be given to beneficiaries was estimated. UNEP indicated that the cost of the incentive was calculated taking into account the cost of actual conversion/retrofitting of some domestic/commercial equipment and calculated up to a maximum of 50 per cent of the value of this cost as the incentive amount. The difference would be paid by the end user.

23. The Secretariat raised concerns on the training programmes planned and noted that UNEP intends to do 2 training sessions each year till 2019. The Secretariat asked UNEP to consider organizing training sessions earlier and grouping them for cost-effectiveness. Consequently, customs officers, environment inspectors and Department of Commerce could contribute to HCFC phase-out sooner and more efficiently. UNEP advised that the plan to have these numbers of training is based on the fact that the technologies are evolving and there will be a need to keep the technicians and the officers up to date with the latest technologies. In addition, the distribution of the funding between the tranches results in the training be spread as well. It would however integrate the training as much as possible as the Secretariat suggested.

24. The Secretariat also drew UNEP's attention to the fact that the currently estimated baseline of 1,055.5 mt (58 ODP tonnes) being higher than 360 mt, low-volume-consuming (LVC) limit set in decision 60/44, moves the Democratic Republic of the Congo to the category of a non-low-volume-consuming (non-LVC) country, where eligible funding under decision 60/44 is available only to meet the 2015 phase-out targets. Such funding will be calculated based on US \$4.5/kg of the consumption identified in the servicing sector, but will be decided by the Executive Committee on a case by case basis in line with decision 62/11. The Government of the Democratic Republic of the Congo has revised the HPMP cost for stage I as follows:

Table 4: Revised cost of stage I of the HPMP (US\$)

Project title	Agency	2011	2013	Total
Training of trainers and refrigeration technicians	UNEP	50,000	50,000	100,000
Training of Customs officers	UNEP	25,000	50,000	75,000
Investments Project	UNDP	100,000	140,000	240,000
Monitoring and evaluation	UNEP	20,000	40,000	60,000
TOTAL		195,000	280,000	475,000

25. The funding for the implementation of the Democratic Republic of the Congo's HPMP has been agreed at US \$475,000 (excluding agencies' support costs) to meet the 2015 phase-out targets of the HPMP, which requires a 10 per cent reduction until 2015. These resources will allow the country to phase out 105.55 mt (5.8 ODP tonnes) by 2015.

Co-financing

26. In response to decision 54/39(h) on potential financial incentives and opportunities for additional resources to maximize the environmental benefits from HPMPs pursuant to paragraph 11(b) of decision XIX/6 of the Nineteenth Meeting of the Parties, UNEP explained that the Democratic Republic of the Congo is planning to work closely with UNDP and UNEP for the development of a co-financing programme based on the climate benefits and energy efficiency.

Impact on the climate

27. The proposed technical assistance activities in the HPMP, which include the introduction of better servicing practices and enforcement of HCFC import controls, will reduce the amount of HCFC-22 used for refrigeration servicing. Each kilogram (kg) of HCFC-22 not emitted due to better refrigeration practices results in the savings of approximately 1.8 CO₂-equivalent tonnes saved. A preliminary estimation of the impact on the climate as calculated by the Democratic Republic of the Congo in its HPMP indicates that 1,247,400 CO₂-equivalent tonnes would not be emitted into the atmosphere if 65 per cent of the HCFC-22 in the country is replaced by R-410a or 2,550 CO₂-equivalent tonnes if 10 per cent of the HCFC-22 is replaced by hydrocarbon. These figures are different from the potential climate impact of the HPMP indicated in the 2011-2014 business plan of 70,702 CO₂-equivalent tonnes. This is because the value calculated in the business plan is based on the 10 per cent climate impact reduction of the amount of HCFCs to be potentially phased-out.

28. A more precise forecast of the impact on the climate of the activities in the servicing sector is presently not available. The impact might be established through an assessment of implementation reports by, *inter alia*, comparing the levels of refrigerants used annually from the commencement of the implementation of the HPMP, the reported amounts of refrigerants being recovered and recycled, the number of technicians trained and the HCFC-22 based equipment being retrofitted.

2011-2014 business plan of the Multilateral Fund

29. UNEP and UNDP are requesting US\$475,000 plus support costs for implementation of stage I of the HPMP. The total value requested for the period 2011-2014 is US \$527,150 including support cost is within the total amount in the business plan.

30. Based on the estimated HCFC baseline consumption in the servicing sector of 1,055.5 mt (58 ODP tonnes), the Democratic Republic of Congo's allocation up to the 2015 phase-out should be US \$475,011 in line with decision 60/44.

Draft agreement

31. A draft Agreement between the Government of the Democratic Republic of the Congo and the Executive Committee for HCFC phase-out is contained in Annex I of the present document.

RECOMMENDATION

32. The Executive Committee may wish to consider:

- (a) Approving, in principle, stage I of the HCFC phase-out management plan (HPMP) for the Democratic Republic of the Congo for the period 2011 to 2015, at the amount of US \$527,150, comprising of US \$235,000 and agency support costs of US \$30,550 for UNEP, and US \$240,000 and agency support costs of US \$21,600 for UNDP;
- (b) Noting that the Government of the Democratic Republic of the Congo had agreed at the 63rd Meeting to establish as its starting point for sustained aggregate reduction in HCFC consumption the estimated baseline of 58 ODP tonnes, calculated using actual consumption for 2009 of 1,014.9 mt (55.8 ODP tonnes) and revised estimated consumption for 2010 of 1,096.1 mt (60.3 ODP tonnes);
- (c) Approving the draft Agreement between the Government of the Democratic Republic of the Congo and the Executive Committee for the reduction in consumption of HCFCs, as contained in Annex I to the present document;
- (d) Requesting the Fund Secretariat, once the baseline data were known, to update Appendix 2-A to the draft Agreement to include the figures for maximum allowable consumption, and to notify the Executive Committee of the resulting levels of maximum allowable consumption and of any potential related impact on the eligible funding level, with any adjustments needed being made when the next tranche was submitted; and
- (e) Approving the first tranche of stage I of the HPMP for the Democratic Republic of the Congo, and the corresponding implementation plan, at the amount of US \$216,350, comprising of US \$95,000 and agency support costs of US \$12,350 for UNEP, and US \$100,000 and agency support costs of US \$9,000 for UNDP.

Annex I

DRAFT AGREEMENT BETWEEN THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF THE CONGO AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS

1. This Agreement represents the understanding of the Government of the Democratic Republic of the Congo (the “Country”) and the Executive Committee with respect to the reduction of controlled use of the ozone-depleting substances (ODS) set out in Appendix 1-A (“The Substances”) to a sustained level of 52.2 ODP tonnes prior to 1 January 2015 in compliance with Montreal Protocol schedules with the understanding that this figure is to be revised one single time in 2011, when the baseline consumption for compliance would be established based on Article 7 data, with the funding to be adjusted accordingly, as per decision 60/44.
2. The Country agrees to meet the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) in this Agreement as well as in the Montreal Protocol reduction schedule for all Substances mentioned in Appendix 1-A. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to any consumption of the Substances which exceeds the level defined in row 1.2 of Appendix 2-A (“maximum allowable total consumption of Annex C, Group I Substances”; the Target) as the final reduction step under this Agreement for all of the Substances specified in Appendix 1-A, and in respect to any consumption of each of the Substances which exceeds the level defined in row 4.1.3 (remaining eligible consumption).
3. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 3.1 of Appendix 2-A (“Targets and Funding”) to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (“Funding Approval Schedule”).
4. The Country will accept independent verification, to be commissioned by the relevant bilateral or implementing agency, of achievement of the annual consumption limits of the Substances as set out in row 1.2 of Appendix 2-A (“The Targets, and Funding”) of this Agreement as described in sub-paragraph 5(b) of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Approval Schedule unless the Country satisfies the following conditions at least 60 days prior to the applicable Executive Committee meeting set out in the Funding Approval Schedule:
 - (a) That the Country has met the Targets for all relevant years. Relevant years are all years since the year in which the hydrochlorofluorocarbons phase-out management plan (HPMP) was approved. Exempt are years for which no obligation for reporting of country programme data exists at the date of the Executive Committee Meeting at which the funding request is being presented;
 - (b) That the meeting of these Targets has been independently verified, except if the Executive Committee decided that such verification would not be required;

- (c) That the Country had submitted tranche implementation reports in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each previous calendar year, that it had achieved a significant level of implementation of activities initiated with previously approved tranches, and that the rate of disbursement of funding available from the previously approved tranche was more than 20 per cent; and
- (d) That the Country has submitted and received approval from the Executive Committee for a tranche implementation plan in the form of Appendix 4-A (“Format of Tranche Implementation Reports and Plans”) covering each calendar year until and including the year for which the funding schedule foresees the submission of the next tranche or, in case of the final tranche, until completion of all activities foreseen.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (“Monitoring Institutions and Roles”) will monitor and report on implementation of the activities in the previous tranche implementation plan in accordance with their roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in sub-paragraph 5(b).

7. The Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds, according to the evolving circumstances to achieve the smoothest phase-down and phase-out of the Substances specified in Appendix 1-A. Reallocations categorized as major changes must be documented in advance in a Tranche Implementation Plan and approved by the Executive Committee as described in sub-paragraph 5(d). Major changes would relate to reallocations affecting in total 30 per cent or more of the funding of the last approved tranche, issues potentially concerning the rules and policies of the Multilateral Fund, or changes which would modify any clause of this Agreement. Reallocations not categorized as major changes may be incorporated in the approved Tranche Implementation Plan, under implementation at the time, and reported to the Executive Committee in the Tranche Implementation Report. Any remaining funds will be returned to the Multilateral Fund upon closure of the last tranche of the plan.

8. Specific attention will be paid to the execution of the activities in the refrigeration servicing sub-sector, in particular:

- (a) The Country would use the flexibility available under this Agreement to address specific needs that might arise during project implementation; and
- (b) The Country and the bilateral and implementing agencies involved will take full account of the requirements of decisions 41/100 and 49/6 during the implementation of the plan.

9. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfil the obligations under this Agreement. UNEP has agreed to be the lead implementing agency (the “Lead IA”) and UNDP has agreed to be cooperating implementing agencies (the “Cooperating IA”) under the lead of the Lead IA in respect of the Country’s activities under this Agreement. The Country agrees to evaluations, which might be carried out under the monitoring and evaluation work programmes of the Multilateral Fund or under the evaluation programme of any of the agencies taking part in this Agreement.

10. The Lead IA will be responsible for carrying out the activities of the plan as detailed in the first submission of the HPMP with the changes approved as part of the subsequent tranche submissions, including but not limited to independent verification as per sub-paragraph 5(b). This responsibility includes the necessity to co-ordinate with the Cooperating IA to ensure appropriate timing and sequence of activities in the implementation. The Cooperating IA will support the Lead IA by implementing the

activities listed in Appendix 6-B under the overall co-ordination of the Lead IA. The Lead IA and Cooperating IA have entered into a formal agreement regarding planning, reporting and responsibilities under this Agreement to facilitate a co-ordinated implementation of the Plan, including regular co-ordination meetings. The Executive Committee agrees, in principle, to provide the Lead IA and the Cooperating IA with the fees set out in rows 2.2 and 2.4 of Appendix 2-A.

11. Should the Country, for any reason, not meet the Targets for the elimination of the Substances set out in row 1.2 of Appendix 2-A or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Approval Schedule. At the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Approval Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next tranche of funding under the Funding Approval Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year. The Executive Committee will discuss each specific case in which the Country did not comply with this Agreement, and take related decisions. Once these decisions are taken, this specific case will not be an impediment for future tranches as per paragraph 5.

12. The Funding of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the funding of any other consumption sector projects or any other related activities in the Country.

13. The Country will comply with any reasonable request of the Executive Committee, and the Lead IA and the Cooperating IA to facilitate implementation of this Agreement. In particular, it will provide the Lead IA and the Cooperating IA with access to information necessary to verify compliance with this Agreement.

14. The completion of the HPMP and the associated Agreement will take place at the end of the year following the last year for which a maximum allowable total consumption has been specified in Appendix 2-A. Should at that time activities be still outstanding which were foreseen in the Plan and its subsequent revisions as per sub-paragraph 5(d) and paragraph 7, the completion will be delayed until the end of the year following the implementation of the remaining activities. The reporting requirements as per Appendix 4-A (a), (b), (d) and (e) continue until the time of the completion if not specified by the Executive Committee otherwise.

15. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Montreal Protocol unless otherwise defined herein.

APPENDICES

APPENDIX 1-A: THE SUBSTANCES

Substance	Annex	Group	Starting point for aggregate reductions in consumption (ODP tonnes)
HCFC-22	C	I	58

APPENDIX 2-A: THE TARGETS, AND FUNDING

		2011	2012	2013	2014	2015	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substances (ODP tonnes)	n/a	n/a	58	58	52	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substances (ODP tonnes)	n/a	n/a	58	58	52	n/a
2.1	Lead IA (UNEP) agreed funding (US \$)	95,000		116,500		23,500	235,000
2.2	Support costs for Lead IA (US \$)	12,350		15,145		3,055	30,550
2.3	Cooperating IA (UNDP) agreed funding (US \$)	100,000		116,000		24,000	240,000
2.4	Support costs for Cooperating IA (US \$)	9,000		10,440		2,160	21,600
3.1	Total agreed funding (US \$)	195,000		232,500		47,500	475,000
3.2	Total support costs (US \$)	21,350		25,585		5,215	52,150
3.3	Total agreed costs (US \$)	216,350		258,085		52,715	527,150
4.1.1	Total phase-out of HCFC-22 under this agreement (ODP tonnes)						5.8
4.1.2	Phase-out of HCFC-22 in previously approved projects (ODP tonnes)						0
4.1.3	Remaining eligible consumption for HCFC-22						52.2

APPENDIX 3-A: FUNDING APPROVAL SCHEDULE

1. Funding for the future tranches will be considered for approval not earlier than the second meeting of the year specified in Appendix 2-A.

APPENDIX 4-A: FORMAT OF TRANCHE IMPLEMENTATION REPORTS AND PLANS

1. The submission of the Tranche Implementation Report and Plan will consist of five parts:
 - (a) A narrative report regarding the progress in the previous tranche, reflecting on the situation of the Country in regard to phase out of the Substances, how the different activities contribute to it and how they relate to each other. The report should further highlight successes, experiences and challenges related to the different activities included in the Plan, reflecting on changes in the circumstances in the country, and providing other relevant information. The report should also include information about and justification for any changes vis-à-vis the previously submitted tranche plan, such as delays, uses of the flexibility for reallocation of funds during implementation of a tranche, as provided for in paragraph 7 of this Agreement, or other changes. The narrative report will cover all relevant years specified in sub-paragraph 5(a) of the Agreement and can in addition also

include information about activities in the current year;

- (b) A verification report of the HPMP results and the consumption of the substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement. If not decided otherwise by the Executive Committee, such a verification has to be provided together with each tranche request and will have to provide verification of the consumption for all relevant years as specified in sub-paragraph 5(a) of the Agreement for which a verification report has not yet been acknowledged by the Committee;
- (c) A written description of the activities to be undertaken in the next tranche, highlighting their interdependence, and taking into account experiences made and progress achieved in the implementation of earlier tranches. The description should also include a reference to the overall Plan and progress achieved, as well as any possible changes to the overall plan foreseen. The description should cover the years specified in sub-paragraph 5(d) of the Agreement. The description should also specify and explain any revisions to the overall plan which were found to be necessary;
- (d) A set of quantitative information for the report and plan, submitted into a database. As per the relevant decisions of the Executive Committee in respect to the format required, the data should be submitted online. This quantitative information, to be submitted by calendar year with each tranche request, will be amending the narratives and description for the report (see sub-paragraph 1(a) above) and the plan (see sub-paragraph 1(c) above), and will cover the same time periods and activities; it will also capture the quantitative information regarding any necessary revisions of the overall plan as per sub-paragraph 1(c) above. While the quantitative information is required only for previous and future years, the format will include the option to submit in addition information regarding the current year if desired by the country and lead implementing agency; and
- (e) An Executive Summary of about five paragraphs, summarizing the information of above sub-paragraphs 1(a) to 1(d).

APPENDIX 5-A: MONITORING INSTITUTIONS AND ROLES

1. The NOU will submit annual progress reports on status of implementation of the HPMP to UNEP.
2. Monitoring of development of HPMP and verification of the achievement of the performance targets, specified in the Plan, will be assigned to an independent local company or independent local consultants by UNEP.

APPENDIX 6-A: ROLE OF THE LEAD IMPLEMENTING AGENCY

1. The Lead IA will be responsible for a range on activities. These can be specified in the project document further, but include at least the following:
 - (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;

- (b) Assisting the Country in preparation of the Tranche Implementation Plans and subsequent reports as per Appendix 4-A;
- (c) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the Tranche Implementation Plan consistent with Appendix 4-A;
- (d) Ensuring that the experiences and progress is reflected in updates of the overall Plan and in future Tranche Implementation Plans consistent with sub-paragraphs 1(c) and 1(d) of Appendix 4-A;
- (e) Fulfilling the reporting requirements for the tranches and the overall Plan as specified in Appendix 4-A as well as project completion reports for submission to the Executive Committee. The reporting requirements include the reporting about activities undertaken by the Cooperating IA;
- (f) Ensuring that appropriate independent technical experts carry out the technical reviews;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Tranche Implementation Plan and accurate data reporting;
- (i) Co-ordinating the activities of the Cooperating IA, and ensuring appropriate sequence of activities;
- (j) In case of reductions in funding for failure to comply in accordance with paragraph 11 of the Agreement, to determine, in consultation with the Country and the Cooperating IAs, the allocation of the reductions to the different budget items and to the funding of each implementing or bilateral agency involved;
- (k) Ensuring that disbursements made to the Country are based on the use of the indicators; and
- (l) Providing assistance with policy, management and technical support when required.

2. After consultation with the Country and taking into account any views expressed, the Lead IA will select and mandate an independent organization to carry out the verification of the HPMP results and the consumption of the Substances mentioned in Appendix 1-A, as per sub-paragraph 5(b) of the Agreement and sub-paragraph 1(b) of Appendix 4-A.

APPENDIX 6-B: ROLE OF COOPERATING IMPLEMENTING AGENCY

1. The Cooperating IA will be responsible for a range of activities. These activities can be specified in the respective project document further, but include at least the following:

- (a) Providing policy development assistance when required;
- (b) Assisting the Country in the implementation and assessment of the activities funded by the Cooperating IA, and refer to the Lead IA to ensure a co-ordinated sequence in the activities; and

- (c) Providing reports to the Lead IA on these activities, for inclusion in the consolidated reports as per Appendix 4-A.

APPENDIX 7-A: REDUCTIONS IN FUNDING FOR FAILURE TO COMPLY

1. In accordance with paragraph 11 of the Agreement, the amount of funding provided may be reduced by US \$163.64 per ODP kg of consumption beyond the level defined in row 1.2 of Appendix 2-A for each year in which the target specified in row 1.2 of Appendix 2-A has not been met.
